

Message Text

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TO USDA/FAS/WASH DC

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FOR STEVENSON/COT DIV/FCA

SUBJECT: PHILIPPINE COTTON DEMAND PROSPECTS

REF: FASTO CIRCULAR 543

TOFAS 219.

1. ESTIMATED PHILIPPINE COTTON CONSUMPTION IN 1975-76 IS

30,157 METRIC TONS COMPARED WITH 29,822 TONS IN 1974-75.

2. THE MOST SIGNIFICANT FACTORS AFFECTING REDUCED RAW COTTON CONSUMPTION ARE (A) TIGHT MONEY AND PRIORITY SPENDING FOR FOOD, TRANSPORTATION, AND OTHER SERVICES WHICH HAVE SPIRALLED IN COST (B) A SHIFT FROM WOVEN TO KNITTED FABRICS BECAUSE SYNTHETIC FIBERS ARE MORE PRICE COMPETITIVE AND COMPATIBLE FOR USE BY THE INCREASING NUMBERS OF KNITTING MACHINES, AND (C) EXPORT DEMAND IS OFF BY AN ESTIMATED 30 TO 50 PERCENT.

3. ALL TEXTILE MILLS WILL BE CLOSING DOWN FOR ANNUAL REPAIRS ON DEC. 20 AND WILL REOPEN OPERATIONS ON JAN. 5. ALL MILLS ARE EXPECTED TO RESUME FULL-TIME OPERATIONS UPON REOPENING. STOCK LEVELS OF FINISHED TEXTILES ARE VERY HIGH AND SOME MILLS WILL NOT BE ABLE TO CONTINUE FULL-TIME OPERATIONS VERY FAR INTO THE NEW YEAR UNLESS DEMAND FOR FINISHED GOOD SHOWS SOME IMPROVEMENT. TEXTILE ACTIVITIES MAY RETURN TO A MORE NORMAL LEVEL IN 1976-77.

4. THE LOCAL TEXTILE INDUSTRY DOES NOT EXPECT AN UPTURN IN

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ACTIVITIES UNTIL JUNE OF 1976. THE BASIS OF FORECAST UPTURN

IS EXTREMELY WEAK. PHILIPPINE TEXTILE MILLERS FEEL THAT THEIR INDUSTRY SHOULD RECOVER WITHIN SIX MONTHS BECAUSE THE U.S. AND EUROPEAN TEXTILE INDUSTRIES ARE CURRENTLY STENGTHENING. RENEWED VOLUME BUYING OF RAW COTTON WOULD BE ALMOST SIMULTANEOUS WITH THE UPTURN IN THE TEXTILE MARKET.

5. FINISHED TEXTILE STOCKS ARE CURRENTLY ESTIMATED TO BE 150 MILLION YARDS. TEXTILE PRODUCTION AND MARKET OFFTAKE UNDER NORMAL CONDITIONS SHOJLD AMOUNT TO ABOUT 60 MILLION YARDS A MONTH. CURRENT OFFTAKE OF FINISHED TEXTILES IS ABOUT 45 MILLION YARDS A MONTH AND STOCKS ARE RAPIDLY INCREASING. THE LEVEL OF RAW COTTON STOCKS IS ABOUT 50,000 BALES.

6. TEXTILE DEMAND AT THE RETAIL LEVEL IS OFF 20 TO 30 PERCENT.

7. COTTON ACCOUNTED FOR 38 PERCENT OF THE FIBER CONSUPTION IN THE PRODUCTION OF TEXTILES IN CY 1973 AND THE COTTON SHARE DECLINED TO 32 PERCENT IN 1974. COTTON'S SHARE OF FIBER USED IN 1975 IS EXPECTED TO BE NO MORE THAN 32 PERCENT.

8. THE EXPORT MARKET IS OFF BY 30 TO 50 PERCENT.

9. TO THE BEST OF OUR KNOWLEDGE NO U.S. COTTON HAS BEEN SOLD TO THIS MARKET IN THE PAST THREE MONTHS WHILE AN ESTIMATED 16,000 TO 19,000 BALES OF FOREIGN GROWTHS HAVE BEEN CONTRACTED. IF THE CURRENT PRICE SPREAD BETWEEN U.S. GROWTH AND FOREIGN GROWTH HOLDS THROUGH JUNE OF 1976 VERY LITTLE ADDITIONAL U.S. COTTON WILL BE SOLD TO THE PHILIPPINES AND THE U.S. MARKET SHARE FOR 1975-76 CROP YEAR WILL FALL BELOW 70 PERCENT OF TOTAL RAW COTTON IMPORTS. IF U.S. COTTON PRICES BECOME COMPETITIVE BY EARLY TO MID-JANUARY 1976, THE U.S. COULD ACCOUNT FOR 75 TO 80 PERCENT OF 1975-76 PHILIPPINE RAW COTTON IMPORTS.

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